

**SACS Accounting Committee Meeting  
January 21, 2003  
Yolo County Office of Education**

**Minutes**

**I. Introduction and Notices**

**A. Increased Electronic Communications vs. Mail**

Due to budget constraints, we are moving away from hard copy mailing of manuals and software. In particular, the 2003-2004 SACS Budget software release, Instruction Manual and User's Guide will only be available for download from the Internet.

A question was posed regarding the permissibility of downloading and duplicating the California School Accounting Manual (CSAM) due to its copyright protection. CDE agreed to get clarification. The following copyright language is posted on the CSAM webpage:

**“© California Department of Education CSAM Copyright Information**

Permission is granted in advance for reproduction and use of these CSAM resources for school fiscal management purposes. To obtain permission to reproduce the information (text or graphics) contained on this Web site for any commercial purpose, submit the specifics of your request in writing to the Copyright Program Office, California Department of Education, CDE Press, 1430 N Street, Suite 3410, Sacramento, CA 95814. Fax: (916) 322-1754.”

**B. Availability of the December 2002 CSAM**

As of the meeting date, we were waiting for the addition of an introductory greeting by the new SPI Jack O'Connell, and expected the manual would be available within the week.

The manual is now available on the CDE website:

<http://www.cde.ca.gov/fiscal/sacs/csam/>

**C. Los Angeles COE Presentation – Web-Based Training Software**

Richard Quinones, director of the Educational Telecommunications Network (ETN) Division of LACOE, presented the multimedia production services for web-based training programs that his division offers. LACOE currently uses this format for training staff to use Peoplesoft, LACOE's in-house financial accounting system, and plans on developing a similar training program for the use of SACS. Mr. Quinones indicated that the ETN Division's services are available to other LEAs. Those interested can contact him at (562) 922-6668 or [Quinones\\_Richard@laoe.edu](mailto:Quinones_Richard@laoe.edu).

## II. Accounting Issues

### A. Collection of Mello-Roos Revenue and Expenditure Data

Currently CDE Does not collect Mello-Roos data, but we have realized that there may be a few compelling reasons for doing so. LEAs currently have to strip the data relating to Mello-Roos prior to submitting SACS data to CDE; also, assets that should be capitalized and reported as a result of GASB 34 requirements are not included with other assets reported through SACS and are not captured in the conversion entry process.

The participants were asked how they account for Mello-Roos. The responses indicated that currently there is a variety of ways of accounting for Mello-Roos, depending on the structure and nature of each Mello-Roos CFD. Having a standard procedure would be key in allowing the data to be reported through SACS. CDE will explore this further.

### B. Fund 40 – “Catch All” Capital Projects Fund

An increasing number of funding sources for capital projects (e.g. Federal Renovation and Repair) do not fit the definition of allowable revenue sources in the existing capital project funds (Funds 21, 25, 30 and 35). We have decided to open Fund 40, Special Reserve for Capital Outlay Projects, to those miscellaneous resources and related objects, and these changes will be effective for the 2002-2003 unaudited actuals. Please remember that Fund 40 continues to serve for the accumulation of general fund moneys for capital outlay purposes.

A question was raised as to whether redevelopment funds (revenue Object 8625) can be directly deposited to Fund 40 instead of being passed through Fund 01 to Fund 40. The current accounting has the effect of increasing expenditures subject to the reserve requirement. CDE agreed to explore this option.

### C. Use of Fund 35 for Prop. 47 Construction Projects

Per our conversation with OPSC, the rules and regulations under the new Prop 47 have changed very little from the Prop. 1A funding, therefore Prop. 47 funds may be accounted for in Fund 35, County School Facilities.

### D. Function Code for Settlements and Buyouts

We have received questions from the field regarding the appropriate function to charge for certain employee contract buy-outs and settlements. It was agreed that ordinary severance pay such as paying off vacation balances follows the function of the employee. Legal settlements should be charged as board costs (Function 7100); to use general administration (Function 7200) would inflate the ICR and burden categorical programs two years later for a disproportionate share of one-time costs.

Contract buy-outs might be considered as either the function of employee or a board cost. A contract buy-out is often similar to a settlement, in that the buy-out is agreed to avoid litigation and a probable eventual court settlement, and would thus be a board

cost. On the other hand, it might also be considered the normal cost of the employee. LEAs should consider the circumstances and the effects on their functional costs and their indirect cost rates.

E. Contributions to Programs Whose Appropriations Have Been Deferred

If an LEA makes a contribution from unrestricted revenues to a restricted program subjected to a funding deferral from 2002-2003 to 2003-2004, it is acceptable to recapture that contribution in the following fiscal year when the deferred funding is received. This transaction may result in a SACS TRC error if the Object 8980 balance is negative; this error should just be appropriately explained.

F. GASB 34 Issues

1. Discussion of a Long-Term Loans and Notes Receivable Account

We believe that this account most likely is not necessary. However, one example was given where an auditor required a long term receivable be set up to offset deferred revenue.

2. Proposed Functionality for Capital Asset and Long-Term Debt Note Disclosures

As discussed in the last meeting, supplemental forms 96A and 97A will be retained in SACS and modified to accommodate the GASB 34 note disclosure requirements for capital assets and long-term debt. We will be eliminating fund (account group) forms 96 and 97, as the balances on these forms are reflected on forms 96A and 97A. The revised forms 96A and 97A will most likely be hand-keyed, will work from left to right (instead of the sometimes confusing right to left as they currently work), and will be available for the 2002-2003 unaudited actuals period.

3. Accumulated Depreciation Account Balances

The accumulated depreciation accounts (9425, 9435 and 9445) are contra-asset accounts with a negative normal balance. Presently, the account is imported into SACS with a positive balance and then subtracted from the asset account balances. However, after re-evaluating this method, we have determined that it is more appropriate to import the accounts with a negative balance, then add to the asset account balances. The most compelling reason we have for this change is that many non-accountant users of the SACS data may see a positive balance as an amount to be added and not subtracted. This change will be effective in the 2002-2003 unaudited actuals period.

4. Observations Relating to GASB 34 Readiness

Several auditors have provided feedback on the first phase of GASB 34 implementation. We were pleased to hear that several counties had adequately prepared their districts for implementation. However, a few other issues came up that concerned us. 50 of the 100 LEAs in the first phase of implementation requested and received audit extensions, citing GASB 34 as the reason. The auditors cited three common issues among LEAs for their lack of preparedness in implementing GASB 34:

- Procrastination; a belief that the auditors would do all the work for the LEA.
- Lack of knowledge or understanding of modified accrual (governmental) vs. accrual accounting concepts.
- SACS accounting was not correct within the funds before the funds were closed and the conversion entries begun.

CDE will continue to offer GASB 34 workshops for the next couple of years. Workshop dates may be moved from the fall to the summer in order to allow for accounting adjustments while the LEA's books are still open.

G. Discussion of Controller's Audit Guide Requirement for Combining Fund Statements  
A suggestion was made to add to the Controller's Audit Guide that auditors provide combining fund statements by objects in addition to the statements by function. Currently, the audit guide says that the audit need not include this information. Many LEAs use the information by fund to balance to their own books.

H. 2001-2002 Unaudited Actuals Data – Common Errors  
A handout was provided that summarized common errors observed in our review of unaudited actuals data. **Attachment A.**

### **III. Software Updates**

#### **A. Update to Matrix Tables**

Discussed changes to be included in the next update of the matrix tables, which will be sometime in February.

#### **B. SACS Software Issues**

1. Proposed Additions and Changes to Forms
  - a. Form JUV will now include a reference to Goal 3600, that is the only goal for which data is pulled into the form.
  - b. Form L (Lottery) – the proposed new format was presented.  
The new format was developed in response to input from the field that the Lottery form should accommodate the reporting of transfers of Lottery funds to other resources. The new format allows for the manual reporting of transfers of Lottery funds to other resources and the related expenditures of those transferred funds. It will be available for 2002-2003 unaudited actuals reporting.
2. Proposed TRC Additions / Changes
  - a. Fund 51 – CDE received a proposal for a new TRC that will check for the existence of Form 51A if Fund 51 data exists. The participants were surveyed as to whether Form 51A, Analysis of Bonded Indebtedness, is very widely used. Many responded that it is used; therefore, CDE will explore the possibility of adding the new TRC.
  - b. Designated fund balance greater than ending fund balance - A situation occasional occurs where fund balance designations exceeded ending fund balance, thus causing a negative undesigned ending balance. A TRC

checks for this, and a user proposed that it should be a Warning instead of Fatal. The opinion was that it should remain fatal.

- c. It was proposed that there should be a check for in-balance accounting equation at resource level in addition to fund level – rounding can create a large enough difference to cause an exception. Participants indicated that they would find such a check useful. CDE agreed to explore the possibility of adding this check.

3. Direct Support Cost Objects Codes – Effective Date

The new direct support costs object codes, created to distinguish transfers of direct support from transfers of indirect support, will be effective for the 2003-2004 budget period. In response to a suggestion made at the meeting, we have changed the direct costs for interfund charges object code to **7380** (instead of 7375). The object code for direct support costs charges within the same fund remains 7370.

#### **IV. Other Issues and Questions**

- A. Unique object for commodities – CDE is exploring the possibility of adding a unique object code to recognize the value of commodities received, for use by LEAs who use an Enterprise fund to account for their food services program. Note that most LEAs use a special revenue fund to account for their food services programs, in which commodities received are not reported.
- B. Resource code for the proposed consolidated categorical block grant – we have not assigned a resource, as this is just a proposal. If the budget passes with the consolidated block grant, we will assign a resource.

#### **V. Next Meeting: Wednesday, March 26, 2003**

California Department of Education  
1430 N Street, Room 1101  
Sacramento

**ATTACHMENT A**

Common Errors Observed in  
2001-2002 unaudited actuals data

| Error  | Correction   | CSAM Reference  |
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| Resource 9010 incorrectly used for all locally defined resources, regardless of the funding source (federal, state, local) | Resource 9010 should only be used for restricted revenues from <b>local</b> sources. Other locally defined resources should be assigned as follows:<br><br>Unrestricted revenues: 0001-0999<br>Federal revenues: 5800-5999 (roll to 5810)<br>State revenues: 7800-7999 (roll to 7810)  | Part II, Section 102, page 27 (unrestricted) and page 43 (others)                                 |
| Incorrect function used when transferring Indirect Support Costs to other funds or resources                               | Accumulate central administrative (indirect) costs in General Administration functions 7200-7600.<br><br>Transfer accumulated indirect costs to other resources or funds using Transfers of Indirect Support Costs Objects 7310 (within fund) or 7350 (between funds). Use function 7200, General Administration, for both sides of the transfer.<br><br>Example: Charging Title I for indirect costs<br><br><u>fund</u> <u>res</u> <u>yr</u> <u>goal</u> <u>fn</u> <u>obj</u><br><br>Dr 01 3010 0 0000 7200 7310 \$500<br>Cr 01 3010 0 0000 0000 9110 \$500<br><br>Dr 01 0000 0 0000 0000 9110 \$500<br>Cr 01 0000 0 0000 7200 7310 \$500 | Part II, Section 106, page 104 (description for Object 7310), and Part II, Section 202, Example 4 |
| Improper use of abatements   | Receipts should only be recorded as abatements of expenditures if the receipt cancels a part or the whole of an identifiable expenditure in the <b>current fiscal year</b> . Otherwise, the receipt should be recorded as revenue.   | Part I, Procedure 406   |

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| <p>Using adjusting journal entries to correct prior year transactions, especially among capital project funds.</p> | <p>1) For project costs incurred in the current fiscal year, reclassify the current year costs to the correct project fund from the incorrect project fund.</p> <p>Example: Current year expenditures were charged to bond funds by error, should have been charged to state construction funds</p> <p>In Fund 21, Building Fund (the bond fund):</p> <p>Debit Cash, Object 9110<br/>Credit Capital Outlay, Objects 6XXX</p> <p>In Fund 35, Facilities Fund:</p> <p>Debit Capital Outlay, Objects 6XXX<br/>Credit Cash, Object 9110</p> <p>Document the current year costs being reclassified.</p> <p>2) For project costs incurred in prior fiscal years, use an interfund transfer to the correct project fund from the other project fund in the amount of the prior year(s) costs.</p> <p>Example: In Year 1, LEA uses local bond funds to cover construction project costs, then in Year 2 is approved for state construction funds.</p> <p>In Fund 21, Building Fund (the bond fund):</p> <p>Debit Cash, Object 9110<br/>Credit Interfund Transfers In, Object 8913</p> <p>In Fund 35:</p> <p>Debit Interfund Transfers Out, Object 7613<br/>Credit Cash, Object 9110</p> <p>Document that the transfer reimburses identified prior year project costs incurred in the other fund.</p> | <p>Part I, Procedures 404 and 406</p> |
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| <p>TRC explanations that are meaningless or otherwise unhelpful, such as:</p> <p>“OK“</p> <p>“This is an error”</p> <p>“Object 1100 is teacher salaries”</p> <p>“Fund 14 is Deferred Maintenance”</p> <p>Or, repetitive use of the same explanation for subsequent errors when that explanation clearly does not apply to those errors.</p> | <p>If the data is wrong, correct the data before submitting it. If you believe the data is right, provide a meaningful explanation of why you think so.</p>  | <p>SACS User Guide and TRC instructions</p> |
| <p>TRC explanations that errors involving revenues or expenditures “will be corrected in the coming year.”</p>  | <p>Revenue and expenditure accounts cannot be “corrected in the coming year” because revenue and expenditure accounts are closed out to fund balance at the end of each year. If the data is wrong, correct the data before submitting it.</p> | <p>SACS User Guide and TRC instructions</p> |